



State of Washington
Department of Revenue

Excise Tax Advisory

Excise Tax Advisories (ETA) are interpretive statements issued by the Department of Revenue under authority of RCW 34.05.230. ETAs explain the Department's policy regarding how tax law applies to a specific issue or specific set of facts. They are advisory for taxpayers; however, the Department is bound by these advisories until superseded by Court action, Legislative action, rule adoption, or an amendment to or cancellation of the ETA.

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EFFECT OF MANUFACTURERS' REBATES ON THE MEASURE OF TAX LIABILITY

Revised: March 1, 1993

Manufacturers will often make rebates available to customers. Under a typical procedure, the customer will pay the supplier the full purchase price for the product. The customer will send an itemized sales invoice, proof of purchase, and rebate claim form to the manufacturer. The rebate will be sent directly to the customer. This Excise Tax Bulletin explains the Department's position with respect to manufacturers' rebates. This is a clarification and not a change in the Department's position.

RCW 82.08.020 provides that the retail sales tax is measured by the selling price. The term "selling price" is defined by RCW 82.08.010 as:

[T]he consideration, whether money, credits, rights, or other property except trade-in property of like kind, expressed in the terms of money paid or delivered by a buyer to a seller

A cash payment by the manufacturer to the buyer has no effect on selling price of the sales transaction between the buyer and seller. The measure of the business and occupation and retail sales tax liabilities remains the total consideration paid or delivered by the buyer to the seller.

Automobile manufacturers also routinely run sales promotions offering a rebate or cash payment, directly to the automobile buyer. As an alternative to direct payment, these programs often allow the customer to assign his or her right to the rebate to the selling dealer.

The assignment to the dealer of a buyer's right to a manufacturer's rebate is a part of the consideration paid or delivered by the buyer to the seller. In such cases, the measure of the business and occupation and retail sales tax liabilities must include the value of the manufacturer's rebate. If a new vehicle is purchased by a Washington resident from an out-of-state dealer, the amount of a manufacturer's rebate may not be deducted or excluded in determining the use tax liability.

ETBS have been made Excise Tax Advisories, and have retained their old number. Advisories with a 2 (plus three digits) are new advisories, ETBs that have been revised and readopted after review under the Department's regulatory improvement program, or advisories that have been revised and/or readopted.

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